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SUBJECT: LATVIAN HIGH COURT RULES ON APPEAL OF BANKA BALTIJA
VERDICTS

¶1. Summary: On November 20, the High Court of Latvia finished reviewing the previous ruling of the Riga Regional Court, and delivered an appeal judgment over the Banka Baltija collapse case. Banka Baltija was the largest bank in Latvia in the early nineties, and the declaration of its insolvency in 1995 resulted in widespread panic among its depositors and created significant economic instability and political turmoil. The previous court had found all three key defendants guilty of embezzlement and fraud charges, while the High Court has now modified the sentences of two defendants and found one defendant not guilty. Both prosecution and defense plan further appeals. End summary.

¶2. The High Court upheld the over seven-year prison term for the former Chair of the bank's Supervisory Board, Alelsandrs Lavents, but overturned the lower court's decree to confiscate his property. Regarding other defendants, the High Court reduced the prison term to five and a half years for the former president of Banka Baltija, Talis Freimanis, and found the head of the law office irojs L&A, Alvis Lidums, not guilty. The court also affirmed a \$40 million claim against Lavents, and prohibited him and Freimanis from engaging in business activities for five and three years, respectively.

¶3. The court of second instance, the Riga Regional Court, had found all defendants guilty on embezzlement, bankruptcy fraud and other fraudulent activity charges that resulted in the collapse of Banka Baltija.

¶4. Comment: Neither Lavents nor Freimanis are actually going to be imprisoned as a result of this decision. Lavents has been under arrest (mostly house arrest) for exactly the same period of time to what he was sentenced; and similarly with Freimanis. The \$40 million claim will also not come into effect until at least mid next year when the complete text of the judgment is issued. Since both sides have announced that they are planning to further appeal the decision next year, the case will not be coming to a close any time soon.